

10 August 2021

Eyeopener

Today inflation data in CEE

Stable equities and bond yields on the core markets
 Zloty gained slightly, but the outlook is bleak
 Polish bonds stable, IRS drifting higher
 Today ZEW index, inflation in Hungary and Czechia

On Monday data about German trade balance in June surprised positively (€16.3bn surplus vs expected €13.5bn) thanks to significant exports contribution (1.3% m/m rise after 0.4% m/m in May). US new job openings (JOLTS) rose in June for the first time above 10 million, signalling companies' struggle with finding enough available workforce in the rebounding economy. Daily change of main equity indices in Europe was near zero and US stock indices were slightly decreasing. Polish stock market index set new record high. 10Y UST yield remained near 1.30% and Bund yield near -0.46%. Dollar was trying to appreciate and even though on Monday it did not change much, we see indications that it may continue strengthening in the near term.

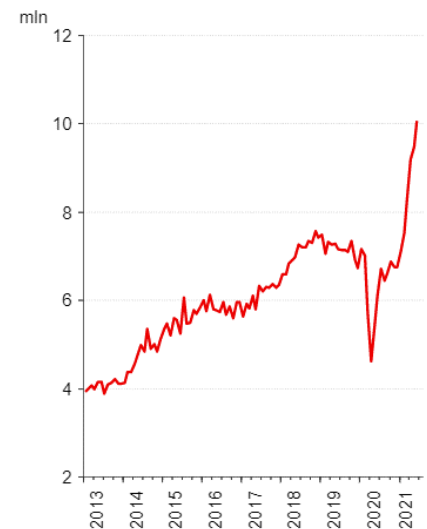
EURUSD fell already 1% since the start of August, to 1.1755. It arrived to the level, which – as a support – was defended already four times at the end of July. The testing of this level on Monday was not accompanied by volatility, but in the nearest days the support level may be breached, we think, and the EURUSD may move towards 1.1725 at first (the low from March 2021) and then 1.1640 (double bottom from September and July 2020).

EURPLN fell on Monday by one figure to 4.5650 while the pace of the move was slow. The exchange rate remains well above important technical levels (e.g. the 200-day moving average currently at 4.53) and lacks strength to move towards the level. Which in our view implies the EURPLN is likely to rise in the coming days, and the 4.60 is the nearest level to watch for the rate, especially if the EURUSD keeps falling further.

As for the **other CEE currencies**, on Monday both EURHUF and EURCZK resided near levels toward which they declined still on Friday – 354.0 and 25.40 respectively. What will happen next might be a result of today's July inflation data in both countries. In Hungary the market expects 4.8% y/y (after 5.3% y/y in June), in Czech Republic the expectations are at 2.9% y/y (after 2.8% y/y in June). Significant surprises to the upside could strengthen forint and koruna in the short-term, however we expect them to weaken towards the end of the month as a function of stronger dollar. The rouble basket has not changed much and resided near 79.40 despite the fact that the price of Brent fell further (on Monday another 3% to \$68.5/bbl, month to date the decline stands at 10% already).

On the Polish fixed income market the bond yield curve was stable (10Y near 1.80%) while the IRS curve moved higher by 3-4bp (5Y at 1.48%, 10Y at 1.76%) while some investors kept paying rates after Friday's strong US labour market data. We expect further IRS increases in the days to come. The **BGK** announced that on Wednesday (11 August) it would offer at least PLN 0.5bn worth of bonds of 2 series: FPC0328, FPC0631. YTD the BGK has issued almost PLN 30.0bn worth of bonds already. The **Ministry of Finance** said that as of the end of July the PLN denominated outstanding debt stood at PLN 757.4bn (vs 761.6bn at the end of June), while the average duration of the local debt stood at 4.34 (vs 4.30) while the total duration in general at 4.92 (vs 4.90).

New job openings (JOLTS) in the USA



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.5629	CZKPLN	0.1791
USDPLN	3.8880	HUFPLN*	1.2897
EURUSD	1.1735	RUBPLN	0.0528
CHFPLN	4.2268	NOKPLN	0.4351
GBPPLN	5.3821	DKKPLN	0.6122
USDCNY	6.4791	SEKPLN	0.4466

*for 100HUF

Last session in the FX market						09/08/2021
	min	max	open	close	fixing	
EURPLN	4.561	4.574	4.573	4.564	4.571	
USDPLN	3.877	3.891	3.888	3.884	3.889	
EURUSD	1.174	1.177	1.176	1.175	-	

Interest rate market 09/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.49	0
DS0726 (5Y)	1.18	1
DS0432 (10Y)	1.81	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.56	2	0.16	0	-0.53	0
2L	0.95	4	0.31	0	-0.49	0
3L	1.20	4	0.54	2	-0.45	0
4L	1.36	4	0.73	2	-0.41	0
5L	1.49	5	0.88	2	-0.37	-1
8L	1.67	4	1.19	2	-0.20	-1
10L	1.77	6	1.33	2	-0.08	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	2
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.29	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.26	2
3x6	0.45	2
6x9	0.67	3
9x12	0.91	5
3x9	0.53	0
6x12	0.77	2

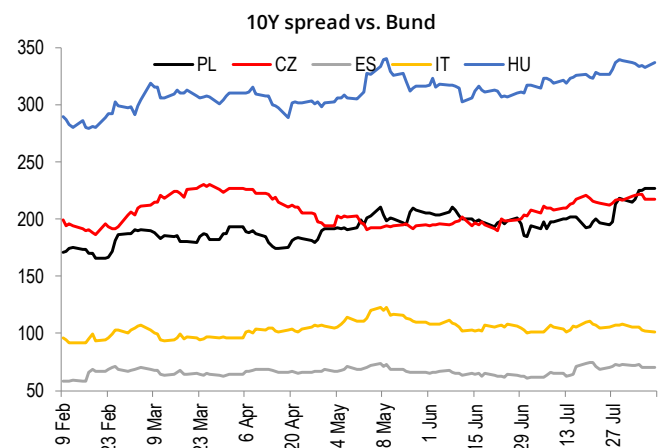
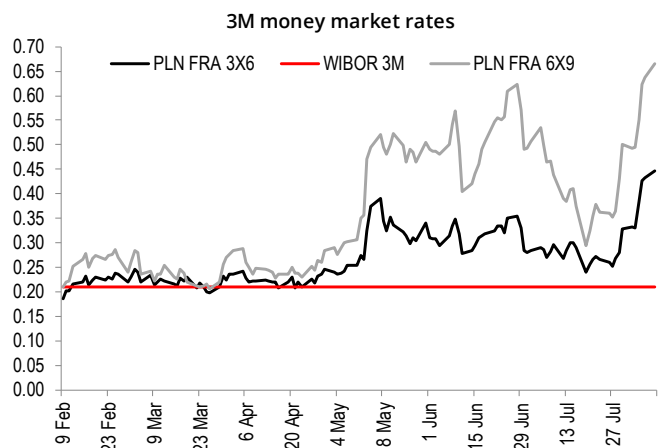
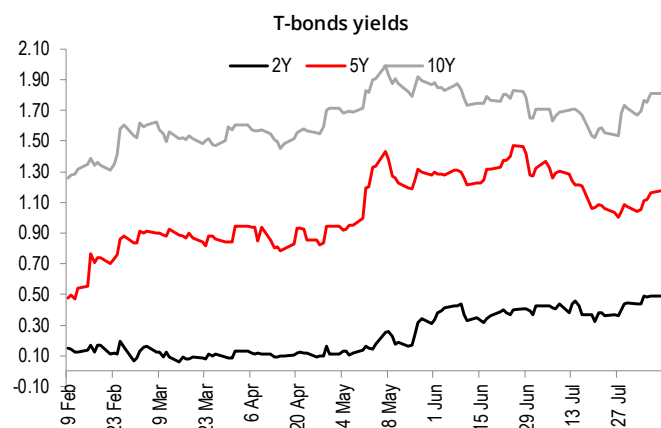
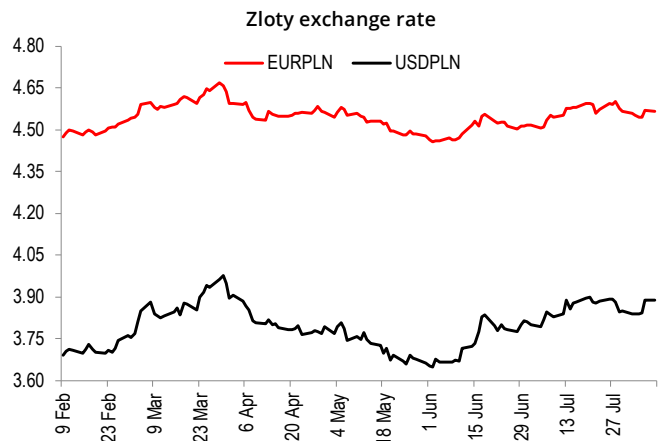
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	227	0
France	9	0	33	0
Hungary	55	0	337	5
Spain	30	0	70	0
Italy	43	0	101	-1
Portugal	21	0	58	-1
Ireland	11	0	39	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (6 August)							
08:00	DE	Industrial Production SA	Jun	% m/m	0.5	-1.3	-0.8
09:00	CZ	Industrial Production	Jun	% y/y	8.3	11.4	32.3
09:00	HU	Industrial Production SA	Jun	% y/y	17.5	18.6	39.9
14:30	US	Change in Nonfarm Payrolls	Jul	k	870.0	943.0	938.0
14:30	US	Unemployment Rate	Jul	%	5.7	5.4	5.9
MONDAY (9 August)							
08:00	DE	Exports SA	Jun	% m/m	0.3	1.3	0.3
TUESDAY (10 August)							
09:00	CZ	CPI	Jul	% y/y	2.85	-	2.8
09:00	HU	CPI	Jul	% y/y	4.8	-	5.3
11:00	DE	ZEW Survey Current Situation	Aug	pts	-	-	21.9
WEDNESDAY (11 August)							
08:00	DE	HICP	Jul	% m/m	-	-	0.5
14:30	US	CPI	Jul	% m/m	0.5	-	0.9
THURSDAY (12 August)							
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0	-	-1.0
14:30	US	Initial Jobless Claims		k	383.0	-	400.0
FRIDAY (13 August)							
10:00	PL	CPI	Jul	% y/y	-	5.0	4.4
10:00	PL	GDP	2Q	% y/y	10.8	10.4	-0.9
14:00	PL	Current Account Balance	Jun	€mn	-96.0	76.0	60.0
14:00	PL	Trade Balance	Jun	€mn	801.0	869.0	185.0
14:00	PL	Exports	Jun	€mn	23783.0	24038.0	22636.0
14:00	PL	Imports	Jun	€mn	22908.0	23169.0	22451.0
16:00	US	Michigan index	Aug	pts	81.2	-	81.2

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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